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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2337



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BULGARIA

INDUSTRIAL PRODUCTION DURING JANUARY-AUGUST 1982 PERIOD, COMMENT

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 29 Sep 82

[Report by Integrated Social Information System Committee, 13 September 1982, Sofia]

[Text] During the January-August 1982 period 2.2 percent more commodity output was produced, and 2.4 percent more money was received from the sale thereof, than targeted by the plan.

The volume of commodity output increased 4.2 percent over the corresponding 1981 period.

Broken down by individual ministries and departments, fulfillment of the 8-month plan for the production and sale of commodity output is as follows:

Ministries (departments)	Commodity output produced	Commodity output sold
Total	102.2	102.4
including:		
Ministry of Power Supply	100.8	101.5
Ministry of Chemical Industry	102.0	102.3
Ministry of Metallurgy and Mineral Resources	98.3	97.4
Ministry of Machine Building and Electronics	101.6	102.3
Ministry of Light Industry	103.1	101.7
National Agroindustrial Union	104.0	105.7
Ministry of Forests and Forest Industry	103.1	102.0
Ministry of Construction and Architecture	100.5	99.1
Ministry of Transportation	99.4	100.4
Ministry of Communications	100.8	100.8

[Continued on next page]

(Table continued)

Ministries (departments)	Commodity output produced	Commodity output sold
Ministry of Internal Trade and Public Services	102.9	101.9
Central Cooperative Union	101.6	100.6
Capital city people's council	104.7	103.3

The production of certain industrial items during the 8 months and the rate of growth as compared with the corresponding 1981 period are as follows:

Item/unit	Output produced	Rate of growth
Electric power, 000,000 kwhr	26,116	108.7
Coal, 000 t	22,449	110.1
Pig iron for processing, 000 t	1,095	106.7
Rolled ferrous metal products, 000 t	2,214	101.0
Sheet steel--galvanized, 000 t	75	101.7
Steel tubes, 000 t	180	101.6
Internal combustion engines, each	15,574	118.4
Motor trucks, each	15,214	112.3
Electrotelphers, each	85,565	101.4
Power tools, 000 items	230	102.6
Nitrogen fertilizers, 000 t	522	102.9
Synthetic fibers and rayons, 000 t	70	102.2
Cement, 000 t	3,746	103.2
Asbestos cement pipes, 000 m	1,792	103.7
Wood particle board and other wall- board, 000 sq m	13,049	103.8
Paper, 000 t	231	102.0
Sheet glass, 000 sq m	16,616	108.1
Household glassware, 000 leva	20,890	116.6
Cotton fabrics, 000,000 m	242	102.9
Woolen fabrics, 000,000 m	26	103.9
Silk fabrics, 000,000 m	24	100.9
Knit outerwear, 000 items	34,528	103.0
Knit underwear, 000 items	49,656	102.7
Sewn goods, 000,000 leva	457	114.0
Meat, 000 t	309	104.5
Meat products, 000 t	64	105.5
Sugar products, 000 tons	74	101.4
Canned vegetables, 000 t	172	103.4
Beer, 000,000 l	410	106.9
Butter, 000 t	16	108.8
Brynza [sheep's milk cheese], 000 t	76	101.2

[Continued on next page]

(Table continued)

Item/unit	Output produced	Rate of growth
Kashkaval [yellow cheese]	19.5	112.1
Processed fermented tobacco, 000 t	72	110.9
Tobacco products, 000 t	56	100.6

Comment

The results that have been achieved in 8 months of the year in the basic sector of the national economy--industry--show that the goals under the state plan for aggregate profit, output volume, reduction of material inputs and delivery of goods for the domestic market have been overfulfilled.

The total industrial output increased 4.5 percent with the greatest growth in power supply, machine building, the electronics and electrotechnical industry, the chemical and rubber industry. Almost all economic organizations overfulfilled the plan for the reduction of industrial inputs and for profits.

Along with these favorable trends in the development of industry, some weaknesses showed up as well in August. Economic organizations, mostly in metallurgy and in the lumbering, pulp and paper, and food and condiment industries failed to reach the targeted monthly commodity-output goal, and hence the goal for monetary receipts from the sale thereof as well.

To guarantee comprehensive fulfillment of the 1982 counterplan, the laggard enterprises and economic organizations must urgently take measures to overcome production weaknesses and difficulties and adhere to contracts for the supply of materials and machinery and for subcontracted deliveries. It is especially important now to bring about conditions for the flow of production processes in strict conformity with the established industrial operating schedule and for the prevention of overruns of input norms and ceilings for raw materials, supplies, fuels and energy. These play an especially important role not only in realizing additional economies, but also in producing a greater volume of output with the available material resources.

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ECONOMIC RECOVERY BASED ON LABOR-PRICES-WAGES

Warsaw ZYCIE GOSPODARCZE in Polish No 36, 26 Aug 82 pp 1, 9

[Article by Mieczyslaw Mieszczankowski: "Economic Therapy"]

[Text] Our economy is ailing; it is going through a difficult crisis. However, the first signs of improvement can already be seen in some areas. The variants of the 3-year plan for restoring economic stability outline the ways in which the crisis may be overcome. What are and can be the principal means for the economy to come out of the impasse?

Perusal of the NPSG [National Socioeconomic Plan] concept variants until the year 1985 leads to the conclusion that the second variant is the most plausible (as indicated by the authors of the plan) since it is difficult to accept that it would be possible to succeed in implementing the third variant which is based on the assumption of above average harvest yields in agriculture as well as on very rapid effects of the reform which, in particular, would contribute to the significant activation of exports to capitalist countries (this is not dependent only on reform).

The principal economic determinants for the successful implementation of the plan fit into the triangle: labor-wages-prices. Proper and at the same time bold solutions within this triangle may bring even higher results than those assumed by the second variant. It is, above all, upon these solutions that I would like to concentrate my attention.

Labor Rationalization

It isn't just yesterday that we have become a country of many paradoxes. For the economist, the greatest paradox currently is that of production and labor. Production has declined significantly while employment has remained unchanged. (Actually, it [employment] has been somewhat reduced this year but at the same time, the number of job openings comes to over 300,000.) It must be clearly stated that without a solution, i.e., without the elimination of this paradox, we will not budge, or speaking less emphatically-- economic progress will be slow.

Owing to the price reform, enterprises are enjoying high profits and in practice do not have any incentives for rationalizing employment. (I have not forgotten about the weak incentive contained in the construction of the Vocational Activation Fund [FAZ].) A high level of profitability makes wage increases possible. However, this does not create sufficient incentive for more productive and efficient work. Consequently, reform has made it possible for enterprises to adapt to the conditions of the crisis without the need for the rationalization of employment.

The formation of a highly effective incentive system (which we will discuss in a moment) may be instrumental in improving this state of affairs. However, this system will not produce sufficiently rapid effects and cannot be the one and only recourse. Therefore, something has to be decided upon. Either to remain in the torpor of potential unemployment or to carry out rationalization of employment which will bring about full implementation of work (not all at once) and will enable economic progress.

The constitution guarantees the right to work; however, its interpretation cannot preclude the processes of reassignment to other jobs or the removal of idlers from enterprises. The right to work should be irrevocably bound to the obligation of good work and it is about time, I should think, that this ought to take on a realistic form and become a socially accepted principle.

I believe that economic-type ministries can and should recommend to enterprises that they conduct a verification of the state of employment in cooperation with their work staff. A basic economic factor of this operation should be the acceptance of the principle that the base wage fund of an enterprise is not subject to reduction because of a reduction in employment and that an increase in wages which goes along with this is not subject to taxation intended for the Vocational Activation Fund.

Together with this, the program of reassigning work reserves to other jobs would take on a realistic shape. (So far this program has not budged while the as yet modest amounts in the FAZ remain idle in bank accounts.) This program would also make it possible to fill more quickly job openings which are truly in need of being filled thus in turn reducing the number of requests for help wanted which, as can be expected, are in large part due to a lack of work rationalization.

Within the context of these remarks, the issue of free Saturdays presents itself somewhat differently. I am all for the temporary reinstatement of a 6-day workweek in those areas of the industry which do not feel the shortage of raw and other materials. I believe that the three free Saturdays per month obtained by coercion were one of the major blows leading to the downfall of our economy. (I expressed this opinion in the press by opposing the addition of more free Saturdays.) Another paradox is that when we should and can work more, we work less (also due to the large number of sick-leaves). What this comes to is that there are no shoes on the market for lack of raw materials while tanneries are not taking in hide for processing. And I do not share the opinion that these issues ought to be solved with a referendum.

It is being said that it is not worth working more or better because there is nothing to buy with the additional earnings. But, after all, in many cases there is nothing to buy because less work is being performed. This vicious circle must be broken and the only place where this can be done is in production. Labor intensity and productivity has to be increased and there where despite its rationalization, production can be additionally increased--a 6-day workweek ought to be enforced.

The matters under discussion are nothing new. They are clearly visible with the naked eye. Undoubtedly, only fear of social repercussions prevents them from being solved. After all, some will argue, the number of those displeased may rise and lead to protests. However, the other, more important side of the coin must also be seen: the need to increase the number of those who will be pleased. The solutions of which I am speaking may improve considerably the economic situation of a major part of the industrial labor class. Without these solutions, there exists the threat of increased social dissatisfaction within this class and this, above all, should be kept in mind.

Incentive System and Wages

A long; long time ago the following was being said: "A fair day's wages for a fair day's work." This became forgotten and was replaced by the cynical: "Whether standing or lying down on the job, one is entitled to the same wages." The period of crisis has not changed this situation but rather made it worse since wages are raised more or less equally for everyone regardless of work results. Traces of the incentive system have ceased to exist.

The third (optimistic) variant of the NPSG concept is based on the very rapid effects of the reform, among other things; however, these cannot be relied upon without the rebuilding of a system of incentives (the solutions to date do not contain this system). In my opinion, it can and should be based on three conditions: 1) In the first phase, the means for wage increases in the field of production should be accumulated, especially in heavy industry (which is the main driving force of our economy); 2) The system of incentives should be introduced to the lowest echelons of industry; 3) Its [the system's] functioning also requires the market to ensure its share of incentives. The reactivation and shaping of the incentive system in production on the basis of new principles together with work rationalization should be regarded as the principal element which will become the self-regenerating force of our economy.

There is the opinion that within the framework of the 3 "S" [self-governing, self-dependence, self-financing], enterprises will work out a system of incentives for themselves. Such an opinion is wrong. Enterprises can only adapt the basic principles of the incentive system to their particular type of production. The incentive system must be shaped within a generally binding framework on the strength of a law [ustawa] regarding solutions. (An example of this is Yugoslavia.)

I am submitting the following proposals in this matter: wages should be closely tied in with the work performance of a specific collective body of

workers (branch, section, crew, etc). Wages should increase in proportion to productivity as well as the work results of a given group of workers. These results ought to be accounted for (recorded) within the framework of an intraplant economic account. A system worked out on the basis of such principles would assume that, as I have previously mentioned, the performance of a given collective [body of workers] will not decline as a result of a reduction in the number of its members. However, specific corrections would be tied in with the introduction of new incentives.

It stands to reason that the reactivation of labor self-government would be conducive to an incentive system based on the above-mentioned principles for it is, above all, a given collective body that through its labor council can establish adequate work standards for itself, undertake decisions accepted by the collective body regarding the lowering of employment, particularly when it comes to eliminating loafers ["obibokow"]. Finally, this collective body of workers and its elected self-government would make sure that work is proceeding efficiently, that it is productive and of good quality knowing that wage increases will depend on the outcome of this work. These proposals would differ from the Yugoslavian system in that an enterprise would not be broken up into several or a dozen or so formal enterprises. In our conditions, such a division would take place within the framework of an intraplant self-financing system while selected groups of enterprise collectives would function alongside existing, appropriate [for them] labor councils (branch, section, etc.).

Reactivating the system of incentives in our conditions of an economic crisis, which requires the assigning of priority to wage increases, thus, individual consumption, likewise requires the temporary restriction of the rate of increased spending for collective consumption, for social services and other similar expenses. A continuation of the present situation, which is characterized by a rapid growth rate of these services, would make it so that wage increases would have to be considerably lower than the growth of production and financial results of respective collectives and of entire employee work forces. Consequently, the motivational function of wages would be of low intensity.

Giving priority to individual consumption makes it necessary under present circumstances for attention to be concentrated on wage increases (connected with increased production) in industry, especially in heavy industry. In order to distribute more [profits], it is first necessary to produce more. Those who produce goods should be able to take advantage of the effects of their work right away. Others must wait for the time being. I would like to define this argument more precisely.

Adjustments of wages and emoluments are currently being carried out. Most likely, there will also be indispensable adjustments made in connection with eventual price controls. I propose that together with the completion of these procedures, the wages of all employees in non-production areas and services be frozen for 1983 or at least until 1 July 1983. I also propose that the results obtained from increased national revenues meant for distribution be accumulated for increasing wages in industry and be assigned in part for the

rebuilding of the market in order to decrease the state of market instability. In the next phase, depending on the state of improvement and capabilities, price controls of the remaining sectors of the economy could be carried out. I am aware of the fact that this proposal will be met with numerous objections; nevertheless (unfortunately), this is an indispensable therapeutic measure for our economy.

Prices--Stopping Inflation

In the 3-year plan presented for discussion, we read that the average price increase for 1983 may yet come to approximately 25 percent while in 1985, it may be reduced to 10 percent or below that amount. However, because the premises of this assumption have not been given, it is difficult to form an attitude towards it.

It may be assumed that January 1983 would be the second phase of a general price reform. This phase would be tied in with the reassessment of the value of fixed assets, a change in unremunerative prices on certain raw and other materials, a change in transport tariffs (transport is highly unprofitable) and a change in some unremunerative prices on food. These price changes would also require specific compensation for the population. It would be possible to agree with this variant by accepting, however, that this second phase of a general price increase would be the last and that the following months and years would be marked only by a moderate increase in prices which on the average would not exceed 10 percent annually.

At the same time, this variant has its contraindications. Society would associate the effects of the reform mainly with price increases. Under the present difficult economic circumstances and the tense sociopolitical situation, it would probably be advisable to postpone the second phase of the general price reform for another year or maybe even two years. Personally, I am in favor of this variant. It would be advisable to currently carry out indispensable adjustments in the price level so that together with contract prices, the average price increase for 1983 would remain within the range of 7-8 percent. This would extinguish the already rising spiral of inflation and would have favorable economic effects.

There is no doubt that the high rate of inflation will make it difficult to overcome the crisis mainly because it will destroy the system of incentives (under our conditions, it [inflation] will not allow for its [incentive system's] reactivation). Striving for increased efficiency in enterprises will be dominated by striving for price increases and thereby wage increases. The drive for the obtainment of various benefits (tax and others) will go in the same direction, as will attempts to expand the range and amounts of budget subsidies which have the most destructive effect on the efficiency mechanism of economic reform. In turn, pressure for increased wages and financial services funded by the state budget will reduce the ability to increase the real wages of production employees from the socialized sector. The operations of the nonsocialized sector will have the same results which will increase the growth of its prices. All of this may cause the mechanism of production growth to become paralyzed, thus overcoming the crisis will become more difficult and

more long-range than anticipated. That is why I advocate a policy of stopping inflation.

In the policy of stopping inflation great importance ought to be placed on controlling the element [zywiol] of contract prices. The incentive system will also not work if enterprises use contract price increases as a means of improving their financial results. It appears that the elimination or reduction to a minimum of the profits gained by enterprises as a result of increased contract prices is necessary. The state budget should assume these profits (in the form of a special tax). Of course, this should pertain to those situations where contract price increases are not contingent upon increased costs but on the necessity to ensure balanced prices on the particular segments of the market. As far as contract prices of the non-socialized sector are concerned, it is necessary to introduce their control; this is, after all, a common postulate presented by numerous social spheres.

And the final but equally important matter from the sphere of discussed problems--the issue of prices and the market. By opting for the policy of stopping inflation; i.e., by striving to restrain it within a 7-8 percent range, it is necessary at the same time to aim for ensuring market stability, for in allowing out of necessity, the existence of one wrong (moderate inflation), a second wrong, i.e., market instability, which is actually another form of inflation, cannot be allowed to accompany it. This would signify not only the continuation of constant social dissatisfaction but would also hinder the process of overcoming the crisis and the complete implementation of the economic reform. In those segments of the market where the achievement of this stability is not possible, state control must be temporarily used, because even the best incentive system in production cannot function efficiently if incentive from the market is not ensured at the same time. The motivational function of wages will not be of sufficient strength if the worker will continue to stumble across difficulties in the implementation of his earnings.

This gives rise to the question, how to secure for workers the ability to purchase sought-after goods with the cash received as a result of increased wages. I propose the introduction of sale controls together with expedient economizing. Wage increased related to increased production and productivity could be set aside by every working person for the purchase of sought-after goods (according to a set list). In the process of assuring the availability of these goods, it may even be necessary to reduce their supply to MM [newlyweds]. Priority should be given to DR, i.e., to good work, to good workers including, of course, newlyweds.

Agriculture and Food

the NPSG concept assumes that agricultural production will increase within a range of 6 to 12 percent up to the year 1985. This is a realistic assumption, under the condition that agriculture is provided with indispensable means of production and assured specific changes in the structure or production and in the use of these means. However, dark clouds immediately began to

form over this assumption in the plan for 1983 which allows for a 16 to 17 million drop (from 19.5 million in 1982) in the number of hogs. This should not be allowed to happen.

Is it possible to save the number of hogs from decreasing? In 1974, when the number of hogs amounted to 21.5 million, grain and potato harvests as well as grain imports were not much higher (with the exception of potatoes) [as published] than in 1982 or than those predicted for 1983. But then, the structure of hog raising was different; it was dominated by hog raising on a smaller scale which is less fodder-intensive. The intentions of this structure, i.e., returning to the wide-scale participation of small producers in hog raising, have been implemented to a small degree. I feel that there still is time to "act" in this matter. It is necessary to ensure attractive hog raising contracts between small farmers as well as nonfarmers and the state. This would be associated with the allocation of a specified pool of coal and concentrated fodder, as well as with an assured ability to buy a certain amount of cured meats and fat for the delivery of a contracted hog. The reserve potential of hog raising on small- and average-sized farms has truly not yet been utilized.

The second matter is that of machine and tool supplies and the ways in which they can best be used. I am not referring to the supply of small tools (chains included) which can and should be fully provided. What I have in mind is larger machinery and tools (tractors and related machinery). I have already written numerous times that with the way this machinery has been used until now, industry will never be able to keep up; it will not be able to provide each farmer with a tractor and appropriate machinery. Under conditions of our dispersed agriculture, the only way this can be done is through neighborly-collective purchases of this machinery. (Of course, this does not pertain to larger farms where the tractor has a full work load.)

A vital issue which also requires solving is the issue of improving the use of equipment (tractors, machinery and installations) which is at the disposal of agriculture. It is essential here that the reorganization of the Cooperative of Agricultural Circles [Spółdzielni Kolek Rolniczych] be carried out. This reorganization should, above all, be based on turning over equipment which can be used collectively to farmers and their machine cooperatives organized on neighborly principles.

It is not unlikely that in connection with these changes, it would be possible to allocate 28 percent of the entire amount of investment outlays in the national economy for the food complex and to provide for the needs of agriculture in such a way as if 30 percent or even more had been allocated.

However, supplying the means of production and the way in which they are used is only one side of the coin; the other is providing incentives in agricultural production, i.e., above all, setting appropriate procurement prices for agricultural products. Adopting the principle of creeping prices [cen kroczących] in relation to them is valid. However, the practical implementation of this principle gives rise to serious doubts. Practice has shown that a high growth of agricultural products by no means leads to the anticipated

increase of supplies. Also, this principle should not be tied in with a change in the level of agricultural liabilities. The main criterion of a change in the level of procurement prices of agricultural products should be to ensure 1:1 parity [parytet] between the revenues of private farmers and workers in the state-run sector as well as to ensure profitability in the production of particular agricultural products. This would require that the principle of parity be defined more accurately. After establishing its base adequately, it would be advisable to use the principle whereby the growth in agricultural revenues would be even with the growth in the income (earnings) of workers of the state-run sector.

Budget Protection

The role of the budget is especially large in the present-day economy and particularly during the period of overcoming the crisis. Our crisis, as far as its traits are concerned, differs substantially from crises in the capitalist system characterized by overproduction of commodities, not using raw material resources to their full advantage and unemployment. For these kinds of conditions, the policy of inflation and budget deficits, in accordance with the theory of Keynes, is totally adequate. In our economy, the crisis is characterized by completely different phenomena. Thus, a completely different policy should be used. However, as has already been demonstrated, inflation pushes on through various channels of the economy. Its therapy indicates that it should be counteracted, therefore, the policy of stopping inflation is required. The same applies to the budget and that is why it should be stipulated that it be protected. I do not believe that it is possible in the very near future to have a balanced budget. On the other hand, its spending should be guarded in such a way that the budgetary deficit will not exceed 5 percent; it will then be able to fulfill a positive role in getting us out of the "dumps."

The NPSG concept for the upcoming years proposes that the rate of spending for socio-cultural facilities should be moderate and that until such time that production increases, there can be no room for further growth of this type of spending. These are valid formulations although not very precise.

At the same time, it is assumed that budgetary spending for sociocultural purposes will be 27 percent higher in 1985 than in 1982. However, this assumption does not say much because it is expressed in current prices and moreover, if we were to assume that prices in 1983 alone will increase 25 percent, then this assumption becomes unrealistic. Therefore, I propose that the following rule be adopted: that the rate of increased budgetary spending for socio-cultural purposes should not be higher than the increase in net budgetary revenues.

The same applies to the protective functions of the state--protecting those classes and groups of the population against the effects of the crisis who find themselves in a difficult financial situation. It is a fact that during this difficult period, we are dealing with the trend of developing the protective functions of the state. (This is being done at the expense of those who bear the brunt of pulling our economy out of the crisis and it weakens the

incentive for such activity.) Thus, in taking into account the principles of the proposals submitted in this regard which are often highly exorbitant, it should be assumed that during the period of coming out of the crisis, they can be taken into account only to the extent that they do not exceed the realistic financial means of the state. At the same time, mention should be made of the highly developed proposals [dyzyderaty] made by agricultural circles which aim for a wide expansion of the rate of annuities and pensions for farmers. These proposals should be reduced to an indispensable minimum in the near future, while adhering to the principle that any further increase of funds for these purposes may be achieved only by means of indirect or direct self-financing, i.e., derived from an increase in production and revenues from agriculture.

It is being assumed that the direct influence of the state on investment activity will become limited to central investments and voivodship investments implemented by means of central subsidies. However, there is a "snag" here which could place pressure on the budget deficit. The concept of "indirect" investments (neither central nor enterprise), which would finance the budget, has already been formed. Many voivodships needs are in large part unprovided for and their pressure on the budget could be great. To avoid this, I propose that during the period of emerging out of the crisis, all unproductive investments in this regard be halted with the exception of investments dealing with health protection.

Among directions in favor of budgetary savings and restoring the financial health of the state, economizing measures in the area of subsidies should be looked into. The existing high surcharges on the production of commodities have a substantial influence on the considerable budget deficit. In connection with this, it is indispensable that the principle of strict verification of costs and calculation of budgetary surcharges be introduced in every instance where subsidies from the budget are requested. Subsidies which remain in force this year should also be examined from the angle of the degree of their validity for the following year. It is not unlikely that this could bring specific budgetary savings.

On the other hand, I do not believe that more substantial savings in the area of budgetary spending for the administration can be found. Although this is not a currently accepted thesis, I am taking the liberty to express doubt whether further reductions in the administrative apparatus are advisable, if it is to function efficiently. No doubt, cutbacks are warranted here and there; however, this matter cannot be treated mechanically by giving a general signal for reductions in the administrative apparatus. In some areas, for example in the tax ministry, the growth of the administrative apparatus is indispensable. I will add that "overgrowths" of the administration are more likely to be found in enterprises and in the cooperative movement.

Finally, within the framework of the discussed subject matter, the issue of taxes borne by the population and particularly by the nonsocialized sector should be pointed out. Up to the present, the nonsocialized sector has borne the burden of the economic crisis to a rather small degree. This situation

must be changed. And even though the amount of taxes paid by this sector together with the remaining taxes paid by the public carry little weight in the sum total of state budgetary revenues--they should, nonetheless, also be taken into account in striving to balance the budget. Naturally, this issue has an incomparable greater significance from the point of view of implementing the government policy of distributing the weight of the crisis in accordance with the principles of social justice. In implementing this policy, it is necessary at the same time to continue to ensure conditions conducive to the development of the nonsocialized sector.

Choosing Subvariants

In assuming that of the three variants of the NPSG concept up to 1985, the second variant has the most realistic chances, the main issue boils down to the choosing of subvariants in particular fields. I do not believe, however, that the selection of these subvariants will be unrestricted because it is subject to the main concept of the plan (around which discussion should be centered).

In the present article, I tried to point out the basic elements of this main concept. These elements would seem to indicate the acceptance of the subvariant of "consumption [spozycie] protection," and not to "investment protection." They also would seem to indicate the acceptance of the priority subvariant in the area of individual consumption and within its framework--conditional [uwarunkowane] priorities (in the first stage) in regard to industrial worker consumption. The authors of the plan are in favor of the consumption subvariant and within its framework the subvariant of more even growth in the level of individual and collective consumption. Of course, it is possible to agree with all this, but then a question arises whether the instrumentation, particularly motivational instrumentation, in the implementation of the plan will ensure the obtainment of its goals.

A number of similar remarks pertain to subvariants dealing with the appropriation of investment outlays as well as subvariants dealing with prices, etc. (which were not submitted). I suspect I will not be mistaken in thinking that the main concept of the plan and its instrumentation are seen as behind a screen, while what is presented are the variant and subvariant indicators and their proportions. It is possible, however, that these issues will be clarified in discussion, which would be good; in such a case, the authors of the plan should be commended for not presenting a ready-made formula.

Among these issues there are a few unknowns, of which the greatest is the development of economic relations with capitalist countries. The question has already been raised in discussion (see the article by J. Kleer in POLITYKA no 29/82) whether the projected high increase of exports to these countries will be possible. It was also questioned whether per unit consumption of raw materials can be reduced on the average by 1.9 percent annually (and 0.7-1.0 percent in 1983). I tend to share such misgivings. Experience of past years has shown that this is extremely difficult or downright impossible to carry out. Without foredooming the matter, however, I believe that one of the basic conditions for the implementation of reduction in the per unit consumption of

raw materials is a sufficiently strong system of incentives which would also stimulate this reduction. This was one of the underlying premises of the plan's main concept which I have tried to outline and which is based on the concentration of means and actions for the purpose of activating the self-regenerating powers of our economy.

The limits of the article have made it possible to devote attention only to a few selected problems of our economy's immediate future. In my opinion, these were some of the most important issues which does not mean that many others are not very important as well, in particular, those which deal with external determinants [uwarunkowania]. I would like to only mention one of them.

The concept of our reform, therefore, that which also includes the implementation of economic plans, is weighed down with the tenet of establishing domestic prices on raw and other materials at the level of world market prices. In the article entitled, "Illusions of World Market Prices [Miraze Cen Swiatowych]" (Z. G. [expansion unknown] no 17/1981), I demonstrated that this is a mistaken concept--this was met with sharp criticism. Practice is, as always, the best test; I believe that it has proven me right. The continued existence of this tenet can only have negative economic effects on the present phase of our economy.

9853

CSO: 2600/12

INTERVIEW ON CONCERNS OVER ECONOMIC PLAN PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 37, 3 Oct 82, pp 1, 5

[Interview with Professor Czeslaw Bobrowski, chairman of the Economic Consultative Council [KRG], by Karol Szwarc: "Realism without Pessimism"; date and place not given]

[Text] [Question] A month ago you said that we still know too little about certain problems to initiate planning choices. Has the situation changed after 30 days?

[Answer] I think that it has changed very much. As far as the Economic Consultative Council is concerned, it changed as a result of questionnaires which we distributed in 500 enterprises. The material collected is of immeasurable value, since it destroys certain myths and introduces new information.

[Question] What myths were destroyed?

[Answer] For example, someone observes that more than anything else the FAZ [Vocational Organization Fund?] has a negative influence on attitudes in enterprises. When it is done away with, then things will go very well in the factories. Another person observes that it would be useful if banks were more lenient, and someone else, that they should be more severe.

I will not give more examples. One myth is destroyed for certain: That there is a master key with the aid of which working conditions in the enterprises can be radically improved, or that one decision in some given sphere can be sufficient.

[Question] It cannot be that way?

[Answer] It could be if there were only some one thing restraining the enterprises. In reality there are more than one, and in various instances the effect has different gradations.

Thanks to other analyses the unemployment myth has fortunately bitten the dust also. Everyone already knows just that, but it is difficult to part with the previous understanding. One of the most serious limitations which will have an influence for some length of time is the lack of immediately productive workers given the conditions of a generally depressed state of

employment and the decreasing numbers of candidates for work in the social welfare sector. We have to do here not only with deactivation--earlier retirements or leaves of absence for training--but also with a switch to the legal, half-legal, and even illegal sector, which exists, after all, everywhere in the world.

[Question] Did this better understanding have an advantageous influence on the Council's ability to adopt a position with regard to the initial conception of the three-year plan?

[Answer] We questioned very many of the data contained in the Planning Commission's study. For we did not receive sufficient documentation together with the draft plan, and very much of the information seemed unconvincing or even erroneously evaluated. For our part, we presented a long list of our doubts. There was an exchange of opinion on this subject for many hours with Minister Andrzej Karpinski.

I am pleased to affirm that asking questions is the way to obtain reliable information. And I will say without malice that thanks to these questions the Planning Commission gained a greater awareness of the picture of the choices it is proposing. Thus, in this sense more things have become clear.

On the other hand, there are still many unclear things in the area of forecasting. I would even say that here we know less than we knew a month ago. For example, at that time forecasts of the dynamics in capitalist countries were already pessimistic. Current forecasts are still worse. This increases uncertainty about finding an external stimulator of activity. A month ago it was clear that many disturbances were upsetting the world financial market. Now it has turned out that there are something more than disturbances, as indicated, for example, by the case of Mexico with its catastrophic payments situation.

[Question] Thus what is the Council's opinion on the subject of the initial version of the three-year plan?

[Answer] The Council submitted first of all a series of methodological observations. And that was by no means for intellectual satisfaction. After all, methodology has an influence on how sound essential decisions are. We have two grave objections and one proposition in these matters.

[Question] What are the objections?

[Answer] According to our evaluation the three published variants are simply not variants. They are scenarios. They do not present possibilities of choice, but rather fateful differences which can result from the influence of incalculable factors.

We recommend not giving the first and third variants the same structure as the second, but, rather, discussing the deviations which occur in relation to the second variant, without going into details. Particularly since cohesion is lost when one goes into details.

The next objection was that the conception presented reminds one of a goose: Too much for one person, and too little for two. There are many things which are the nuclei of a plan in the Planning Commission's document, and there are many things which are only assumptions.

I do not know why it happened this way. This planning method is a totally new art. Perhaps it is because matters which go beyond assumptions are found in the material. And that makes discussion extraordinarily difficult. I doubt that the Planning Commission will manage to draw conclusions from this quickly and to narrow the text of assumptions for discussion.

Soon the time will come for the Council to cooperate on constructing a three-year plan. A very large part of our observations may not be included in the assumptions. These observations are a guide in the direction of the plan. Only the plan will have to completely meet the requirements of internal consistency, full respect for limitations, and adaption to realities.

[Question] And the Council's proposition?

[Answer] We put forward the thesis of making a progressive plan which would include a solid design of the year 1983 and an outline of the years 1984 and 1985. For if we have a three-year plan, then I am convinced that we will not achieve our goal of the supremacy of the intermediate-periodic plan over annual plans.

The first time I spoke about progressive planning was with Czech planners in 1946. We were satisfied with the concept and at the same time recognized that we were incapable of undertaking this venture. The matter of progressive planning was broached later, but that solution was not settled upon. I am afraid that now, too, it won't go that far.

[Question] On what do you base that fear?

[Answer] This thesis will not succeed in convincing the Planning Commission.

[Question] Why?

[Answer] You would have to ask the Planning Commission about that. Perhaps I would not present the arguments so accurately as the Commission. We parted on the note that we would engage in discussions again. In the meantime, however, each side thinks that it is right. Perhaps we will reach some agreement in the process of discussion.

[Question] What arguments does the Council have in favor of progressive planning?

[Answer] Obviously, they arise from unique uncertainties. Normally uncertainties increase as the time frame is extended. Today we have greater uncertainties about the present than about the future.

Still another matter is linked with this question: Do we attempt to inject optimism, or realism? We clearly took the position that while someone may like a rosy picture, others will see official optimism in it. Society has become distrustful. And nothing will be done in Poland if society is not aware of the terribly difficult tasks that stand before it. In other words, we need realism free from pessimism, a realism that takes it for granted that the economy has the possibility to recover from the crisis.

Essentially, we are concerned that society understand that matters are complicated and that at this instant no genius, no miracle worker--and there is not one on either the Planning Commission or the KRG--will succeed in precisely and reliably determining a series of planning dimensions and processes.

[Question] The Council also took a position in the matter of the reforms.

[Answer] We presented to government members both a 20-page report on the reforms and the 7 original texts on which we based this synthesis. The report is distinguished by the fact that in many instances it gives alternative propositions, and in the original texts one can read of other possibilities, too.

[Question] What is the conclusion of this report?

[Answer] There is agreement on two theses. During the Council's discussions not a single voice--and not only members of the Council but also other experts and representatives of economic administration participated in them--called for returning to the orders-distribution system, in spite of great awareness that the system reformed in practice has many gaps and even contains errors, and that it was implemented in conditions exceedingly more difficult than what was set up when the "Directions of the Reforms" were published.

That is why it is necessary to adapt to realities the detailed rules of the functioning system, to take into consideration the enriched knowledge concerning the survival of the enterprises, and to seek solutions which would not impair the basic tendency of the reforms, that is, assisting automatic adaptive processes. If they are unable to "work" in this or that sphere, then it is necessary to introduce some sort of neutralizing mechanisms, but not those which would hinder progress in the area of automatic adaptive processes.

Each of the solutions proposed in the report or in the original texts is fine. But one must remember that each decision evokes a series of consequences.

For example, the parallel existence of two foreign exchange rates--80 zlotys in export and 50 in import--is a terrible anomaly. Even the fact that seemingly profitable exports are not profitable in reality--simply because their foreign exchange price is lowered--is less harmful. A still more serious deficiency is that under these conditions there are no objective parameters in the whole of the economy for calculating the costs of the enterprises.

Therefore, the thesis is put forward to immediately equalize these rates of exchange, that is, to increase many supply prices by 20 and more percent. This increase would evoke a chain reaction of price increases with results similar to this year's price reform, but without the application of neutralizing mechanisms it would lead to a sharp increase in many retail prices, which seems totally out of the question at the present moment. Accepting this inviting solution would require in practice creating an unusually developed system of subsidies, undoubtedly in the area of industry manufacturing semi-finished products based on imported or national raw materials also, and certainly of subsidies for retail prices or of new compensations. In other words, budget subsidies for certain articles would disappear, but immense new subsidies both for manufacturers and consumers would appear.

Thus we feel that our report has at least the virtue of making one realize the existence of this whole series of consequences....

[Question] ...which are not always positive....

[Answer] ...which are always partially negative, and certainly very perplexing. The reduction of a huge number of subsidies is only an outward success.

When seeking particular solutions, therefore, one must focus attention not only on the immediate effects of a given measure but also on its unintended effects. They are not always easy to figure out in advance, but one must try.

This gives rise to the thesis of the necessity for comprehensive activity. It is not possible to give separate consideration to the rates of exchange, the question of prices, or tax problems. These moves must be united. But at the same time one must act selectively and not accept an indiscriminate strategy as a solution to all problems.

[Question] What does that mean concretely?

[Answer] For example: I was, am, and will be an advocate of high unfixed prices, stipulated for higher category goods. The reforms were based on the assumption that--aside from prices of articles satisfying basic needs--the rest of the prices would be formed on the market.

But that simply is not the case. Here and there, very rarely, unfixed prices have jumped too high. I even have in mind here not so much the consumers as the manufacturers. The seller's market in the area of supply goods in generating sharp inflation in costs but not in demand, not that inflation resulting from excessive earnings.

At the same time prices for higher category articles are not balanced prices. Enterprises are being shouted at for abusing price freedom....

[Question] ...and there are indeed those which are abusing it.

[Answer] Agreed. There is evidence, however, pointing to the fact that many unfixed prices in the area of consumer goods were not established on the level of balanced prices, although that could have happened.

I believe that there is no reason to form lines and increase coupons. I am not speaking about shoes, where, unfortunately, we must do that, because usually we cannot catch up. We could have reached a balanced market in higher category articles with a significantly greater increase in prices. Industry did not do that, did not have an understanding of the market, and did not have experience in the operation of prices.

Even the government apparatus does not always care about balanced prices. This concerns, for example, the abolition of state control over certain brands of cigarettes. As long as "my" cigarettes--"Extra Strong" without filters--were rationed, I was able to obtain a certain amount of them. Now they are "not to be seen." "Popular" cigarettes cost 40 zlotys on the free market, and "Extra Strong" cost 25 zlotys in kiosks. The prices were not changed, whereas there should be an obligatory rule that in going over to commercial sales one must pay for the privilege of buying without standing in a line.

[Question] The Council's report coincided with completion of work on a similar document elaborated by the government plenipotentiary for economic reform matters. Are there differences between these materials?

[Answer] It turns out that there are more concurrences than differences, although some differences did appear. We still managed to draw up a record of these differences and submit them to the government.

And here a certain problem emerged. At the last session of the Commission for Matters of Economic Reform, Professor Baka presented a list of additional proposals which were not in the text of his report. That put me in a difficult situation. We are a collective body. From Thursday to Saturday we were unable to agree on the evaluation of these proposals. At the government's session, therefore, I was forced to take a position in my own name.

Fortunately, the government accepted certain proposals as a directive tendency, but they have to be worked out in the course of a month. I am very pleased with this as a solution, but it causes me personal concern since I have

not yet had a vacation this year. I expected that after putting together the study of the draft of the three-year plan and of the reforms, I would go on vacation. Unfortunately, no. Now together with the Planning Commission we must begin to prepare the three-year plan, and at the same time, since we are the guardians of the principle of comprehensive proceedings, we must very quickly work together to polish up these new drafts.

[Question] Thank you very much for the interview.

9451

CSO: 2600/29

VARIANTS OF ECONOMIC ASSUMPTIONS FOR DECADE ANALYZED

Warsaw TRYBUNA LUDU in Polish 7, 13 Sep 82

[Article by A.L.]

[7 Sep 82 p 4]

[Text] The deciding factor to overcome the difficulties of the crisis is work—honest, effective and well organized. This is the basic truth. But making a future plan for the 1980's also will require further conditions.

In the published draft of the National Socioeconomic Plan to 1985 and in the assumptions for 1986-90, development of the economic situation is connected with:

- development conditions for agricultural production;
- progress in the initiation of economic reform;
- situation in foreign trade and the formulation of the balance of payments with the capitalist countries.

Achievement of these factors will depend to a large degree on what we will do as compared to this year. In this draft, we have three variants for economic development in the future and the standard of living, which are shown in graphs.

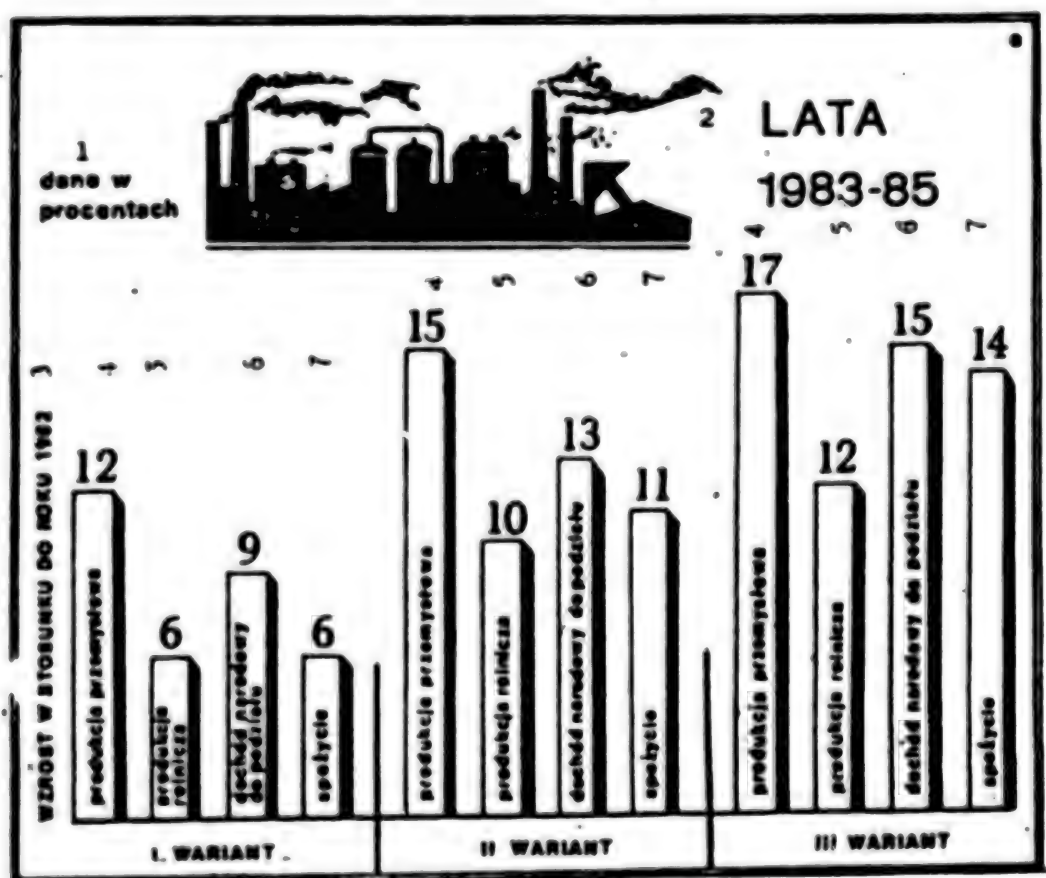
Variant I is based on the assumption that both in 1983-85 and in the next 5-year plan, conditions for the development of agricultural production will be worse than average, the effects of economic reform will be slowly achieved and economic restrictions will still be in practice.

Variant II anticipates that conditions for agricultural production will be favorable, realization of economic reform will bring steady economic effects and the situation in foreign trade turnover with the capitalist countries will be normalized through simultaneous agreement to refinance our obligations.

Variant III depends on above-average agricultural production, very rapid effects of economic reform and especially the increase in export growth to the second payments area [capitalist countries]. Knowing the assumptions of the

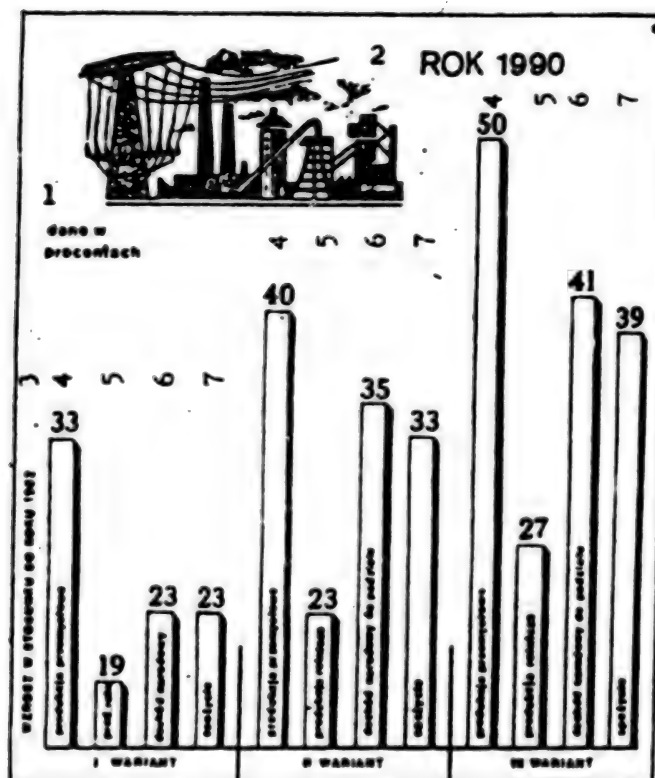
individual variants, let us look now at the graphs. They present a picture of increased industrial and agricultural production and of a national distribution and consumption balance in 1983-85 and for the next 5 years.

However, this concerns an increase in relation to 1982. The year still has not escaped the crisis. This increase in production as compared to the current "thin" year does not mean that in the next 3 years we shall return to the level even of 1980. This possibility will be created only after 1985. This must be remembered. Knowledge of these conditions and their influence on the economy is necessary for understanding the new draft for the 1980's. This draft will be discussed nationwide--in plants, workers' self-governments and national councils and the Sejm. It also will be discussed, of course, in the press and TRYBUNA LUDU.



KEY: Graph 1

- | | |
|-------------------------------------|-------------------------------------|
| 1. Data in percentages | 4. Industrial production |
| 2. Years | 5. Agricultural production |
| 3. Growth as compared to 1982 | 6. National income for distribution |
| 4. Industrial production | 7. Consumption |
| 5. Agricultural production | |
| 6. National income for distribution | |
| 7. Consumption | |



KEY: Graph 2

- | | |
|-------------------------------------|-------------------------------------|
| 1. Data in percentages | 4. Industrial production |
| 2. Years | 5. Agricultural production |
| 3. Growth as compared to 1982 | 6. National income for distribution |
| 4. Industrial production | 7. Consumption |
| 5. Agricultural production | 4. Industrial production |
| 6. National income for distribution | 5. Agricultural production |
| 7. Consumption | 6. National income for distribution |
| | 7. Consumption |

Consumption or Investments

[13 Sep 82 p 3]

[Text] Consumption and investment. We are especially sensitive to this issue. We all know very well the price paid for the swollen investment undertakings of the 1980's. This bitter lesson today demands that we pay particular attention to mutual ratios between the means used for investments and those earmarked for consumption. When then does this delicate issue find itself in draft plans for the 1980's.

Three variants were drawn up, of which the exit point is 1982. It should be added that investments here mean central investments having meaning for the

entire economy. Regardless, independent enterprises will implement investments through their own means. These are not considered here. Let us now return to the issue of the variants.

Variant I protects consumption. It comes from the assumption that during the next 3 years as compared to 1982, consumption will increase 11 percent and net investment will decrease 3 percent.

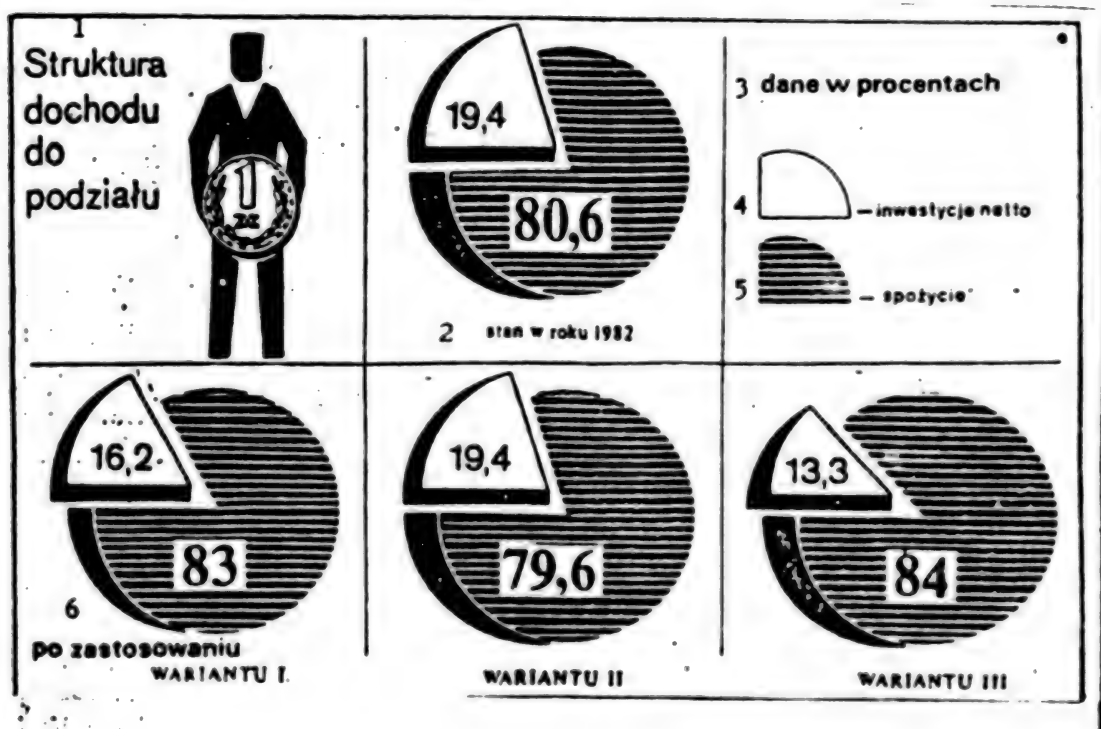
Variant II protects investments. During 1983-85, a considerable increase in net investment of 13 percent will take place, while consumption will rise 6 percent.

Variant III maximizes consumption. In this case, during the next 3 years as compared to 1982, a substantial increase of 15 percent will take place in consumption, but net investment will decline 12 percent.

Each of the variants could bring about a definite effect on the structure of the division of national income, which can be seen in the enclosed graphs. A fifth circle could be added that would show the structure in 1990. The variant for consumption protection and investment share would achieve 15.1 percent in 1990.

At first glance, the most alluring one is variant III, maximization of consumption. Society longingly awaits even a minimal improvement in the standard of living. However, does not excessive halting of investment weigh down on future economic and social development? These issues should be evaluated when the draft plan is drawn up.

From a social point of view, besides the proposal for division of income between consumption and investment, the method of utilizing investment means has considerable meaning. For example, to what degree will they be earmarked for developing agricultural production, food processing, apartment construction and thus for satisfying the daily needs of society? These questions will be discussed in the next installment.



KEY: Graph 3

1. Structure of income for distribution
2. State in 1982
3. Data in percentages
4. New Investments
5. Consumption
6. After implementation

9807

CSO: 2600/935

SYSTEM FOR FINANCING ENTERPRISES EVALUATED

Warsaw ZYCIE GOSPODARCZE in Polish 22, 29 Aug 82

[Article by Zbigniew Szwaja: "Enterprise Financial System"]

Unification of Financial System

[No 31, 22 Aug 82 p 5]

[Text] In two successive installments we are publishing a preliminary evaluation of the functioning of the reformed financing system of state enterprises. The first part contains an appraisal of the unification of this system and an evaluation of the adjustment of the start toward reforms. In the following issue we shall publish data on enterprise independence and the share of the state budget in the functioning of their financing systems. The author of this evaluation is the vice director of a Ministry of Finance department.

The initial evaluation presented below on the functioning of the reformed financing system of enterprises claims the right of precedence and does not claim to be comprehensive. It rather arbitrarily considers selected problems, dictated more by the significance of the main points of the economic reform and the intensity of the problems developing than by the systematic research of the evaluation: the extent of unification of the system, the adjustment of the start toward reform, the conditions assuring enterprise independence and the share of the state budget in the system.

This also requires a methodological digression to stress the production [goods and services] of the systems evaluated. I have called it the enterprise financing system, although both this name and the one more generally used in the WOG [large economic organizations] area, namely the "economic-financial system," are apparently not favored in the new reform. Here the "System ekonomiczno-finansowy przedsiebiorstw panstwowych w warunkach reformy gospodarczej" [Economic-financial system of state enterprises under the economic reform conditions], a collective work published by the Association of Bookkeepers in Poland in March 1982, almost constitutes an exception. Nevertheless, all of the problems associated with enterprise financing, both those

regulated by a discrete Sejm law and those established by other legal acts, for example, the law on taxing units of the socialized economy, the budget statute and the budget law, form a comprehensive system of enterprise financing, and this complex will be the subject of this appraisal.

Unification of the System

The WOG system secured its citizenship papers with the help of the so-called initiating units whose individual financing systems, examined and adopted for implementation on a high level of management hierarchy, constituted from the very beginning examples of the new concept and of later patterns for other economic organizations, and finally became a model for various more general regulations, but not at all compulsory ones as a general rule, as we know from experience. An exception, commendable but far from the normal run, is formed by the financial system essentially unified for the entire economy embraced by the WOG system, although it is not suitable for the general concept of large economic organizations.

Using this example of unification in the finance field in the current reform, it was possible to adopt a principle of regulating individual issues through a system of exceptions defined in basic or executive acts. In the state enterprise financing system this regulation has led to an enormous mosaic of authorities, deviations, individual solutions and onomastics. In short the universality of the enterprise financing system has been transformed into a general state of discreteness, or into a persistent trend toward it. This concerns both the economic organizational-unit [plant and equipment] regulated "officially," and problems permitting individual regulation.

Concretely:

--Decree No 243 of the RM [Council of Ministers] gave the minister of finance, the minister of labor, wages and social affairs in concert with the chairman of the planning commission and specific ministers the authority to adopt principles of financing, settlements from the state budget and financing emoluments for 12 specific kinds of enterprises and, in extending the activity of this authorization, the law of 26 February 1982 on financing state enterprises authorized the Council of Ministers to adapt the regulations of the law to 14 specific types of enterprises.

--Decree No 243 authorized the minister of finance to use product [goods and services] and organizational-unit [plant and equipment] relief and tax exemptions independently of income tax exemption and relief by virtue of allotting profits to developmental and cultural-educational purposes, to the protection of the environment and to labor, hygiene and sanitation. The minister of finance gained this authority through the terms of this decree, plus that which has been set up under the law of 26 February 1982 on taxing units of the socialized economy between the Council of Ministers (former income tax relief) and the minister of finance, for whom they preserved the right to product [goods and services] and organizational-unit [plant and equipment] relief and tax exemptions in economically justified situations, while authorization has been provided for differentiating turnover tax rates

in 1982-1985. The authorizations discussed here for relief and tax exemptions essentially make use of full liberalism in this area and, with respect to the turnover tax, of the so-called level and scale of exemption from the obligation to pay the turnover tax, as if by them they wanted to confirm the effectiveness of the cacophony existing in the profitability of socialized economy activity or to negate the principle of the price formation role of the turnover tax.

--The same decree authorized the minister of finance to increase for a definite group of enterprises the percentage of amortization remaining in the enterprise, and thus to reduce the part of the amortization falling to payment to the budget, while the law of 26 February this year on financing state enterprises transferred this power to the Council of Ministers, and extended its use to 1983. Here again we cannot overlook the incomprehensible silence of the association in the area of individual regulation disposing of amortization with the anticipated period for price reduction of fixed assets and concomitant authorization to independently dispose of all of the amortization by eliminating the obligatory amortization payments to the budget. The cited principles and exceptions from these principles constitute opportunities for flexible solutions to be applied to the regulations of the financing system of state enterprises under various conditions of activity by different economic organizational-units [plant and equipment], but in this way they eliminate the possibility of using the financing system in cost effectiveness and objectivization of economic decisions. It is difficult to assess losses and profits caused by abandoning unification of the system, although we know from past years that the lack of instruments uncontaminated by voluntariness in making decisions can be the cause of incalculable errors and extravagance.

Adjustment of Start Toward Reform

The proponents of the reform stress, not without pride, the fact that the assumptions of the new financing system of state enterprises assure every unit subject to it of conditions for active participation in using the economic competition anticipated in it without obligations inherited from the previous system and from previous results. Even decree No 243 of the Council of Ministers, objectively and thus legally formulated, anticipates an "adjustment of start" toward reform for all enterprises in the form of settlements of assets and funds at the end of 1981 into 1982. Such an adjustment of start is related to a visual and logical representation under sportsmanlike, competitive conditions and with egalitarianism from the outset.

The settlements aimed at adjusting the start have a very broad range. The extensive appendix No 12 to the above-mentioned decree provides special information on their course and termination. A summary of this extensive undertaking can be reduced to the following factors:

--Settlement of losses, with no penalty for the enterprises, because of management of unnecessary stock, because of costs of starting up abandoned production and because of bank interest rates from the time of making investments, as well as because of the results of breaching investment discipline in 1981;

--Adjustment of shortcomings in the financial resources of the enterprises themselves for financing stock up to a minimum of 30 percent of the level of the stock on 1 January 1982;

Liquidation of all kinds of funds, centralized at the association and ministry level, after preliminary regulation of overdue payments;

--Amortization of obligations from abandoned investments;

--Change in the conditions of financing continuing investments; and

--Maintenance of the level of possession of all enterprise funds from the prereform period.

The main sources of all adjusting settlements and supply of enterprises lacking financial resources would be: funds from liquidated associations and price reductions in supplies owned by enterprises on 1 January 1982, considering new prices for investment items and articles supplied. This source, along with its preliminary cause, which was the widely outlined price reform, then became the motor enabling both conditions for the existence of individual enterprises and for balancing the entire economy. For this reason organizational difficulties in stock price reduction and lack of factual data referring to the final enterprise settlement do not permit any basic statistical confirmation. Here we must be satisfied with the budget assumptions for 1982. However, these are significant and very meaningful. It is anticipated that 1982 will see the formation of an accumulation in the amount of 810 billion zlotys, after 288 billion in 1980, while in 1981 the economy suffered 177 billion in losses. The 1982 budget anticipates the use of 333 billion zlotys remaining from the centralized settlement of preliminary estimates of reserves for financing budget settlements with banks for previous years.

The operation of adjusting the start provided a real recovery opportunity for many enterprises involved in various financial difficulties from the period before 1982. This permitted settlement and liquidation of the last link between the budget and the association enterprises. A minimum was suggested for providing state enterprises with their own funds in financing reserves, but not establishing by this suggestion a continuing principle of settlements and evaluations for enterprises entangled in various contacts with banks for financing completed and continuing investments. In effect adjusting the start deviated far from the idealized picture of the start from starting blocks used in athletics.

Very definite distinctions typify the enterprises entering the new financial system. They can be classified as follows:

--A state of stable prosperity, resulting from peaceful, prosperous management without investment shocks and seasonal production, based on a high level of enterprise funds.

--A state of opportunity for economic growth, gained through new investments legalized as developmental investments and financed from centralized funds not tied to enterprise results.

--A state of shaky balance, referring mainly to enterprises with a seasonal production cycle where the uncertainty of the state of stock settled in reduced prices, the liquidation of so-called seasonal stock and the low state of the turnover fund presage financial difficulties in the enterprise.

--A state of economic insufficiency, caused mainly by a completed investment program exceeding the enterprise strength (payment of credits not covered by centralized funds) or by a continued program not qualified for central investment; and

--A post-reform state obtained by liquidating enterprise indebtedness and lack of financing as a result of providing a centralized settlement for reduced prices of stock in its own statutory fund, but with a very low level of independence.

However, a realistic look at the so-called adjustment for start confirms the propriety of the reform proponents' pride, because [it involved] only enterprises with an almost unregulated investment process, and some inevitable setbacks at the start. All others began the struggle in the new financing system with a much better frame of mind than in the past.

Role of National Budget

[No 32, 29 Aug 82 p 9]

[Text] This is the second part of an evaluation of the functioning of the reformed financing system of enterprises. The author, the vice director of a department in the ministry of finance, appraises the autonomy of enterprises and the share of the state budget in the system. The first part contained an evaluation of the unification of the system and an evaluation of the adjustment of start toward reform.

In analyzing the financing system of enterprises it is most difficult to separate the factors of enterprise independence from factors of self-financing. Both of these features are confirmed in themselves and define themselves. Without straining to find a subtle distinction between these factors, we shall not be committing a gross error if we acknowledge that the independence of the enterprise in financing is expressed mainly by:

--The authority and possibility of setting the level of enterprise income, both from the quantitative viewpoint of its amount (sales) and structure (prices);

--The authority and possibility of setting the level of enterprise expenditures, both in the area of activity costs and in the division of profits; and

--The authority and possibility of securing financial aid from the enterprise environment (contractors, banks and budget).

Autonomy

It can undeniably be asserted that the level of enterprise self-determination in the current economic reform is incomparably higher than in the past. Foreign trade probably constitutes an exception, but empirically this is unusually difficult to verify.

The liquidation of associations, even in the very process of liquidation, produced an awareness of decision-making power in the enterprises and fear of direct responsibility for all events occurring in the enterprise. This was reflected at all decision-making levels where the enterprises sought help in liquidating their unfavorable conditions or situations, but this also confirms the hypothesis of expanding considerably enterprise authority for self-determination. Organized systems of relief, priorities, privileges and exemptions, and other chances for making individual decisions, still not obtained in a suitable form, are encouraging. Thus, in general, promising conditions exist for achieving conditions useful for enterprise self-financing.

However, there is a widespread opinion that enterprises are in too rigid a financial straight jacket and not feel that the law has given them sufficient independence. This opinion primarily involves the problem of balancing wishes and possibilities, needs and conditions for covering them, and the entire intricate and irrational goods-currency structure. This is because wherever these conditions do not limit activity, the availability of enterprises does not meet objective difficulties. Here we must accentuate several matters characterizing the problem under discussion: limitation of autonomy in the price area, difficulties in obtaining credit, developmental difficulties and limitations in using production capabilities.

The enterprises have been given enormous independence in the area of price formation. This can fade with respect to the share of production for which contractual prices have been established, with respect to their range in particular branches and sectors, and with respect to other rather minor matters, but the enormous specific weight of enterprise autonomy contained in authorization for setting contractual prices is indisputable. This autonomy is mainly regulated by market conditions, and thus the assumption has been made that they are not to be treated as limits on independence. However, decisions stemming from economic policy, for example, regulating the level of official or controlled prices, are recognized as serious limitations on the freedom of enterprise activity, regardless of the reason for which these decisions were made. However, even in this area, the financing system of state enterprises anticipates instruments to neutralize these limitations, conditioned by financial authority decisions. Here I am thinking of budget subsidies and settlements adjusting production profitability.

The subsidies adjusting prices for suppliers are an expression of both supplier protection and toleration for suppliers producing too expensively or with

improper regulation of currency ratios. This can have a general aspect (product [goods and services]) or an individual aspect (organizational-unit [plant and equipment]). The financing system of state enterprises provides absolutely unlimited opportunities to use this instrument to eliminate a lack of independence in the price area. Subsidies constitute a trace element in financial results, and therefore make it right for enterprises to participate in all self-financing activities. In most cases the subsidies are unlimited, and therefore are not restricted to quotas contained in the budget, but are relative to the amount of sales embraced by the subsidization. The right to profit from subsidies is not complicated nor burdensome, but requires suitable planning in the budget and obtaining a decision from the minister of finance with respect to the extent and form of its use. In principle, despite a few exceptions, subsidies are not subject to verification or settlement from their utilization.

In the budget for 1982 subsidies for enterprises (not counting agriculture nor the community and housing economy) come to 675 billion zlotys compared to 613 billion allotted in 1981. Produce [goods and services] subsidies and budgetary differences show an increase from 290 billion to 486 billion zlotys which, on the one hand, confirms their wide range and, on the other hand, reveals their defective worsening even in 1982, compared to the structure of profitability in 1981.

Despite the features mentioned above for subsidizing enterprise activity from the budget, as a source of realizing financial results as a source as inconvenient, unfavorable and weakening the independence of enterprises. Why? The answer is simple, but certainly surprising.

The subsidies guarantee neither profitability nor profit for subsidized activity to the extent that they provide authorization for contractual prices, and on a multiyear scale they are not guaranteed by anything. The next question of "Why?" does not find a simple answer because it would require either a restriction of enterprise authority in the area of contractual prices or a basic reconstruction of financial instruments regulating the flow of funds to the enterprise. A supplementary response is that, since the idea of proper profit in the entire enterprise financing system has not been regulated along with authority to set prices, no real financial discipline has been assured in this sphere. The earlier prereform manner of conduct is maintained. For example, decree No 188 of the Council of Ministers of 22 December 1978 concerns product [goods and services] subsidies, where a concept of excess profit occurs, to be transferred completely to the budget. The effects of this regulation pass into the entire enterprise financing system as "an infrequent force" demolishing order and forming myths, the *deus ex machina* of the old system or the blind consequences of system unification.

With enormous support, supposedly proportional to an unawareness of sources of need, an institution for adjusting settlements profitability is established in the enterprise financing system. This is an instrument indispensable whenever:

--Prices unified statewide are used, and even on the scale or some region or defined circle of suppliers, if such eventualities occur;

--There is more than one supplier of goods with these prices; and

--Guideline supply decisions are adopted.

This is undeniably an instrument from the period when large economic organizations played the role of distributor of financial resources dependent on allocation decisions, and here certainly involving the source of supports for using adjustment settlements in the financing system. However, at the same time it must be said that up to the time of regulation of production and supply with foreign-exchange funds or of allotments in the form, for example, of a clearing post in the forest industry, and likewise up to the time of using nonindividualized but generally equal constant prices, such a settlement must be made independently of the form of its occurrence. At this point it is important to be aware that the prerequisite for the success of such a settlement is to place it in the position where the production decision-maker identifies with the executor of the settlement.

These examples demonstrate that the limitations on enterprise independence in the price area are regulated and do not impair conditions for enterprise self-financing, but do require further improvement in the instruments and tools with which the financing system of state enterprises is organized.

In the second quarter of 1982 the economic freedom of enterprises met its first massive resistance from external factors: verification of the enterprise credit capability. This was a very labor-intensive undertaking and had an almost pioneering nature for the entire reform, certainly beneficial for banks, but also useful for enterprises and for the reform center. I believe this deserves its own monograph and analysis. Rumor has it that its result is a list of over 600 enterprises without credit capability, which is also tantamount to a sentence of liquidation. From observing the course of this verification it is possible to derive the general conclusion that the majority of difficulties in obtaining bank approval for financing enterprise activity by credit is associated with the conditions of adjustment of the start, of which we spoke in the first part of this article (ZYCIE GOSPODARCZE, No 31), conditions inadequate for the needs of developmental hopes of enterprises. It is usually difficult to generalize here. Almost every case constitutes a separate example of economic and uneconomic pressure on the developmental fund. The only synthesis is the further general statement of the considerable excess of enterprise investment programs above the level of their own financial resources. To a considerable degree this refers to investment credit payments before 1 January 1981 from enterprise profits threatened not because of improper enterprise profit utilization, but because of a lack of necessary profit.

The lack of systems-type solutions in adapting the conditions of previous credit payments to the new conditions creating enterprise financial results, produces many strains and worries, plus a state of uncertainty and weakness in many enterprises. Here a sensation of bank alienation comes to the fore in the process of using the reform to control the difficult economic situation of individual enterprises. Revision of bank decisions on the lack of enterprise credit capability, caused by the impossibility of repayment from anticipated

credit profits for payments according to old contracts seems inevitable. The bank, as a contractor of such a signed contract, cannot avoid responsibility for the situation which has evolved by strictly requiring repayments of old obligations while deferring the financing of an entire enterprise.

With reference to the old credit portfolios, there must be full agreement between the positions of the bank and the enterprise with respect to the expedience of credit investment, the conditions for its profitability under the new price systems and, against this background, the new conditions for repaying already contracted credits. Sending an enterprise to Berdyczow for the purpose of obtaining a source of financing to repay bank obligations does not seem expedient nor consistent with finance policy or with the assumptions of enterprise autonomy. Even under conditions of excessive extension, they should have a legally equitable possibility of opposing creditors.

A slack economy is not able to automatically subject itself to a reform regulator, especially where the balance is disturbed, not only today, but in the foreseeable future. With respect to this painful part of the economy, the principles contained in decision No 17 of the KGRM [Main Committee of the Council of Ministers] of 18 March 1982 are used. These principles unfortunately limit the rather considerable autonomy of enterprises to a set of conditions which lead to this incapacity. They embrace cases of:

- Temporary restriction in the use of production capability for reasons independent of the enterprise, but for which further functioning and development are anticipated;

- Lasting suspension of all or part of enterprise production for a period no shorter than the end of 1982 without enterprise liquidation; and

- Enterprise liquidation.

There is no way of acknowledging this part of the enterprise financing system as typical of reform solutions. However, it is not permissible to exclude this part of the economy from its activity either. Only a comprehensively consistent system concerning all units, the entire economy and the nonproduction sphere can assume the name of universal system and have a chance of achieving the total goals desired of it. With reference to the units embraced by KGRM decision No 17, the regulations of economic reform are not completely obligatory, and this limitation is understandable. Under conditions of a diminishing total national income, participation in the division of this income among spheres which do not contribute to its formation must be stagnant, frugal and indulgent. The economic reform system, which is also an instrument for the proper division of the national income, must then be called on even in those cases where not all reform factors can be utilized. It appears that settlements of the decisions mentioned in this area underscore this situation with banal moderation, a little timidly as befitted a burdensome and transitory phenomenon.

In conclusion we must once again mention the high degree of freedom of enterprise activity in all of the three decision-making spheres mentioned above.

There is even a conjecture that this freedom in the first phase of introducing the financial economy system was too great and was used too unilaterally. The consequence of this cannot help being an increase in wages unrelated either to dynamic development or to results, and marked by a considerable lack of discipline, for example, in the proper involvement in the financial results benefitting the vocational activations fund. The balances for the first half-year may be a confirmation of attitudes, and then become a record of a phenomenon whose consequences must be procedures permitting a correct evaluation of this freedom, which means verifying its conformity with reform regulations in the area of utilizing enterprise autonomy.

Share of the Budget in the System

The state budget is associated with enterprise financing through seven channels, four tax channels (turnover tax, property tax, wage tax and income tax) and three subsidy channels (product [goods and services], organizational-unit [plant and equipment] and investment subsidies). This is a uniform and compact system of communication logically distributive and progressive in comparison to previous solutions.

The property tax and the wage tax do not require detailed discussion, but in this evaluation we cannot disregard the income tax.

The range and degree of enterprise financial autonomy in the first year of activity of the economic reform is dependent on two factors: the degree of provision of their own financial resources in the previous financing system, and the degree enterprise profits are drained off by the income tax. The first part of this dependence is confined to silence in systems-type solutions, except to say that the rest of the enterprise funds become funds as defined by the new financing principles. However, current enterprise profits are included in the game by the economically defined reform, and prosperity is defined by the share of income taxes in this profit or, more correctly, by the share of this tax in enterprise profitability. What does an analysis of this share demonstrate?

There is a lack of correlation between the decisions in the price area and in the income tax area of the tax scale. The lack of a definition or formula to define profit due in the price-forming process makes possibilities for comparing these factors purely arbitrary. Thus, in conformity with guidelines, even those of the State Price Commission, the minimal profit contained in the regulated price amounts to about 10 percent of processing costs, which is twice as much as the profit not subject to the income tax. The regulated fund with even the minimum profit is thus subject to the income tax in an amount of 20 percent of the profits.

If we assume that the minimal profit determined by the price-setting authority must not be a profit inadequate for the needs of the enterprise in the sense of the self-financing regulation, we may draw the conclusion that the income tax within the framework of minimal price profitability is a phenomenon alien to the system. Burdening profits by a 20 percent tax therefore constitutes an infringement on enterprise independence. Another conclusion

from this defines the income tax as an instrument exclusively consuming excess enterprise profit above the level needed by the enterprise. This does not justify a progressive scale of taxation either, because it should preferably be rather stable and close to 100 percent of the excess profitability.

A second assumption asserts that the minimal profit defined by the pricing authority contains a surplus above the needs of the enterprise and is intended to strengthen the budget, a function which the income tax itself should perform. This assumption also permits one to define the income tax as an instrument taking excess profit above the enterprise needs and contained in the price. Thus conclusions here are analogous to those in the previous case.

Let us make one more hypothesis: that the minimal profit does not guarantee covering the enterprise needs, but nevertheless is burdened by the income tax in order, through its existence and structure, to stimulate the correct profitability in the enterprise above the price-forming assumptions, necessary for adjusting the assumed shortage. However, in such a role the tax on a progressive scale of taxation not only arouses doubt, but also surprise, and is also shocking because of the inappropriate proportions of the scale. Therefore such a role must be excluded from the income tax in practice.

The variations cited have referred in principle to the minimum profit set by the legislature. However, because of this we can formulate a general conclusion that the existing scale of taxation excludes the possibility of an income tax stimulating collection of enterprise developmental funds, but should serve to aggressively take excesses of financial resources found in the profit created.

Then, in relation to enterprises with profitability situated within the minimal limits (10 percent of processing costs) or the proper rate (8 percent of their own funds) of profit, the income tax can have only control functions. However, in view of the danger of impairing the minimum survival of enterprises by this task, the possibility of using the law on relief or tax exemption should apply solely to this group of enterprises. On the other hand, the other enterprises can and should recognize all profit, left to them for their disposition by the tax scale, as a propitious act of the legislature for them or, if you wish, as compensation for more than the minimal profitability of their activity. The correctness of this understanding will surely be deprecated by all of those who do not appreciate the definition of enterprise needs (along with the controlling share in the budget of these needs), defined as 8 percent of their own funds financing the fixed assets and turnover funds of enterprises. Here a connection occurs between these weaknesses and the following conclusion from an analysis of the share of income tax in enterprise profitability.

A definition of enterprise needs in the area of profit on a rigid scale of profitability proportional to processing costs is generally negative and uniform for all.

Branches with a high share of material costs feel themselves wronged because of the low base of profit determination, and branches with a high share of

special costs in their processing costs find that they are discriminated against in the possibility of using profit for the needs of teams and so forth. Actually some perceive in this same deviation in the content of profitability a danger of avoiding "real profitability" in the reform, in this direction criticizing the standards used in this reform, but most of the doubt is aroused by the amount of untaxed profitability, rather than by the actual principle of its determination. This is because it is possible to find all of the factors determining the needs of an enterprise for profit in the processing costs, which are the base for defining profitability and proper profit. This can be illustrated by the table below:

<u>Elements of processing costs</u>	<u>Elements of profit allocation</u>
Special costs	Team fund, social fund, housing fund, FAZ [expansion unknown]
Amortization	Developmental fund for investment purposes
Bank costs	Developmental funds for financing, turn-over assets
Other nonmaterial costs	Fund for technical and economic progress

The structure of the processing costs determines the structure of profit allocation. At an identical rate of profit, calculated in relation to the gross processing costs without considering the structure of these costs, decisions of an enterprise forming a division of profit for individual items of need must overcome this object interdependence.

The extent of needs, especially short-term needs, is difficult to objectivize with reference to individual enterprises. Here it is only possible to define gross ratios, constituting the framework of minimum survival, of the national mean or of the desires of the central authority. Simplifying the financing realities of enterprises in this definition would be tantamount to eliminating conditions for defining needs for return on the credit obligations of enterprises from a previous period. However, this has not been done, causing considerable difficulty for this problem of profit and its division, so very complex to settle.

In the budget for 1982 this problem takes the following numerical form on the gross scale of the entire national economy:

- Profit before taxes, 870 billion zlotys,
- Income tax, 440 billion, that is, 50.6 percent of profits before taxes,
- Profit for division in enterprises, 430 billion zlotys,
- Vocational activations fund, 150 billion zlotys, that is, 34.8 percent of profit for division,
- Repayment of investment credits, 140 billion zlotys, that is, 32.6 percent of profit for division.
- Team fund and reserve fund, 110 billion zlotys, that is, 25.6 percent of profit for division, and
- Developmental fund, 30 billion zlotys, that is, 7.0 percent of profit for division.

The significance of the data contained by the budget, relative to the program of enterprise profits use, does not require comment. However, this significance cannot be exclusively an object of doubt with respect to the sufficiency of profit for enterprise needs, the correctness of principles of profit taxation, or harmony between the budget assumptions and the actual conditions of its realization. This lack of comment involves a considerably deeper sense, pointing to the realities of our economy which we must not forget, despite theoretical and methodological disputes.

Any consideration on the subject of minimal profit or minimal profitability is pointless in the face of the actually existing production profitability.

Both in official prices and in regulated prices, to say nothing of contractual prices, profitability is extremely differentiated and practically uncontrolled by anything. In a few cases of continuous production the indicator of profitability indicates more effective or less effective technology, or production technique, but in many others, and perhaps in all others, there is no objective standard directing activity.

Let us use the following compilation of profitability (in percentage of processing costs) of some enterprises in the agricultural and food industry, gained in the first months of this year, to confirm this hypothesis:

District Enterprise of the Meat Industry in Olsztyn, 1.48;
District Enterprise of the Grain-Milling Industry of the State Grain Works [WPPZIMPZZ] in Olsztyn, 2.84;
District Enterprise of the Meat Industry in Warsaw, 10.88,
District Enterprise of the Meat Industry in Poznan, 11.98,
"Fruktopol" Industrial Agricultural Combine in Lublin, 26.64,
District Enterprise of the Grain-Milling Industry of the State Grain Works in Wroclaw, 28.57,
District Enterprise of the Grain-Milling Industry of the State Grain Works in Kielce, 32.00,
District Enterprise of the Meat Industry in Lodz, 37.84,
Lezajsk Tobacco Plant in Lezajsk, 43.75,
District Enterprise of the Meat Industry in Wroclaw, 50.63,
District Enterprise of the Meat Industry in Lublin, 59.81,
District Enterprise of the Meat Industry in Kielce, 71.08,
Sugar Plants in Warsaw, 71.76,
District Enterprise of the Meat Industry in Bialystok, 72.06,
Pomeranian Sugar Plants, 95.45,
Beer Plants in Glubczyce, 170.83,
"Wawel" Sugar Plants, 226.19,
Skawina Food Concentrate Plants, 287.10,
Lublin Alcohol and Yeast Plants, 566.67,
Krakow "Polmos" Alcohol Plants, 661.11,
Poznan "Polmos" Alcohol Plants, 737.93,
Zapnoj Fat Plants, 896.00,
Nadodrzan Fat Plants in Brzeg, 970.00,
Wroclaw "Polmos" Alcohol Plants, 1005.56,
Lancut "Polmos" Alcohol Plants, 1442.86,
Warsaw "Polmos" Alcohol and Yeast Plants, 1530.00,
Lodz Depot of Tobacco Products, 19,800.00.

Here is a fundamental and, in this evaluation, final conclusion.

Freedom in price-formation and a lack of definite standard conditions for creating profit in enterprises cannot help but lead to the disciplining function of the income tax. Some scholars and journalists write nonsense about its drastic, 90-percent burden on profits (naturally in the greatest range of profitability, and not with reference to total profits), and in this connection about the improper graduation of the income tax scale. Whether income tax is poorly graduated or whether it is a matter for profit, prices have an unregulated range of profitability in relation to labor outlays of individual enterprises.

It will certainly be necessary to sacrifice many of these outlays in order to save this field from harmful indifference and careless options.

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VARIANTS OF ECONOMIC ASSUMPTIONS ANALYZED

Warsaw TRYBUNA LUDU in Polish 14, 15 Sep 82

[14 Sep 82 p 3]

[Article by A.L.: "In What To Invest?"]

[Text] In the last segment of our series ("How Much Should We Spend for Investments--And How Much For Consumption?" TRYBUNA LUDU 13 Sep 82) we presented, in diagrams, ideas on how much of the gross national product should be earmarked for consumption and how much for investments. The ideas are contained in the new plan proposal.

Today the question directed to the public by the central planner is: In what should we invest? In other words, what specific objectives should be considered, and what part of outlays earmarked for central investments should be appropriated to satisfy the objectives. Please, look at the graphs presented in the article. They show three possible variants of distribution.

Graph A proposes so-called production variant. The variant gives priority to investing in production needs, especially in food production (30 percent of the outlays), at the expense, however, of outlays for apartment construction.

Graph B proposes distribution of investment resources according to so-called social variant, which favors public consumption. This means that 6.5 percent of the outlays would be spent on health, education, higher education, culture, and the arts; 30 percent would be spent on apartment construction. However, adopting this variant would leave only 28 percent for the food complex.

Graph C presents a proposal according to so-called apartment construction variant. As the name indicates, the variant assures higher outlays for the apartment construction (35 percent). According to this variant investments would result in an increase in the number of apartments by about 90,000, but at the expense of other needs.

Preliminary criteria for the period from 1986 to 1990 favors the social variant. As the graphs indicate, all the variants give the first priority to food and apartment construction complexes, according to resolutions of the ninth

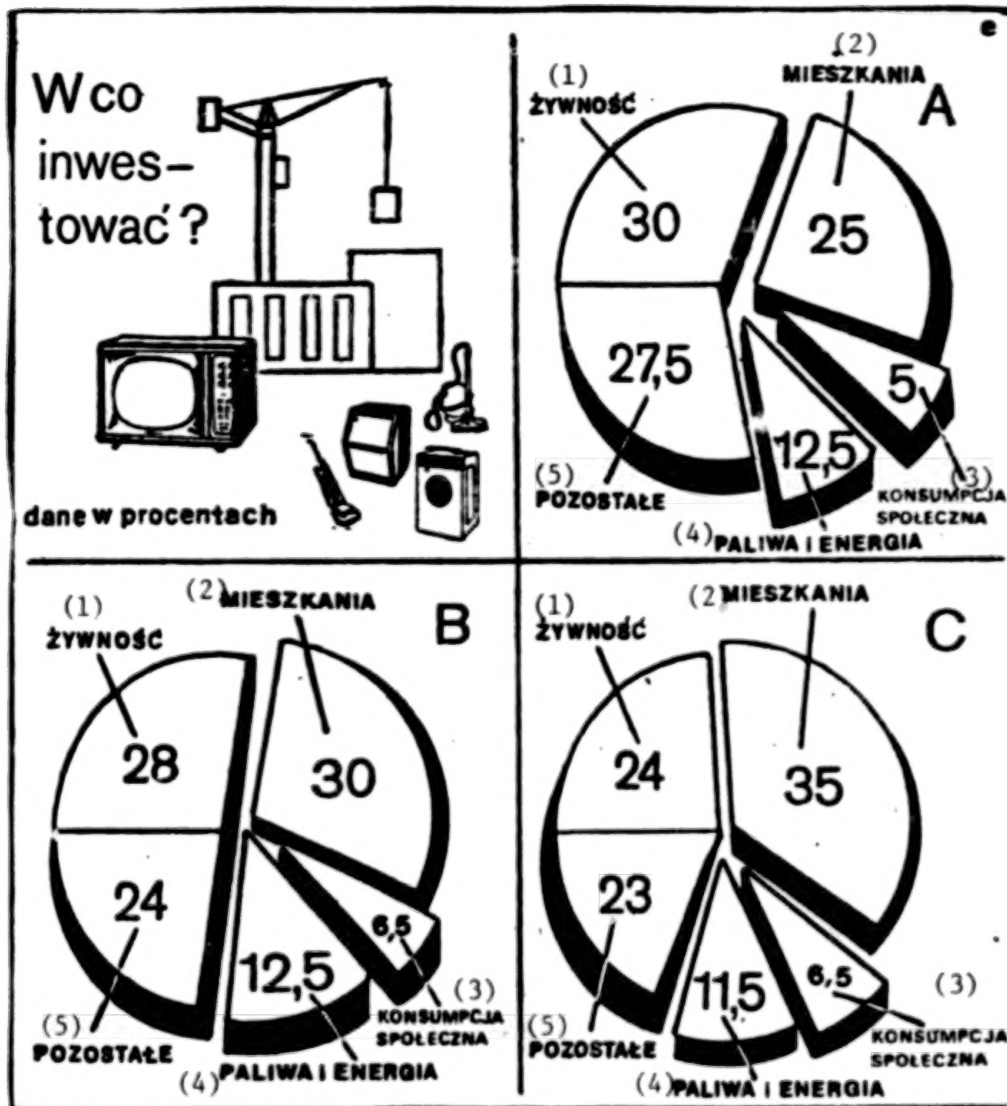


Figure. What To Invest In? Data in percentages

Key:

- (1) Food
- (2) Apartments

- (3) Public consumption
- (4) Fuel and energy
- (5) Other

special PZPR congress. It is proposed that the same amount of outlays or more to be appropriated for each of these objectives, as for other objectives, such as industry, transportation, communication, medicine, construction, etc.

We would like our readers to carefully examine the graphs in order to determine which is the best way to make central investments. We will all get a chance to express our opinions in a public discussion, which will soon take place. We look forward to your letters.

[15 Sep 82 p 3]

[Article by A.L.: "Together or Individually"]

[Text] The question in the title pertains to the ways in which resources earmarked for consumption should be used in the 1980's. "Together or individually"--what does it mean?

"Together" denotes investments into collective consumption, i.e., into socio-cultural needs and other objectives implemented by the state for the benefit of all.

"Individually" denotes investments for consumption paid for by funds that come out of our individual wallets, our individual income.

"For what? How much?" The central planner built these questions into the idea of variants of the National Socioeconomic Plan for the period up to 1985 and into the preliminary principles of the Plan for the years from 1986 to 1990.

In one of our previous segments ("How Much for Consumption--How Much for Investments" TRYBUNA LUDU 13 Sep 1982) it is indicated that during the period from 1988 to 1995 there will be no significant increases of resources for consumption (as well as for investments). Depending on the adopted variant, it is projected that the increase in resources will equal from 336 to 496 billion zlotys. Based on the lower projection, 336 billion zlotys, the plan proposes three solutions, presented here with the help of the following diagram.

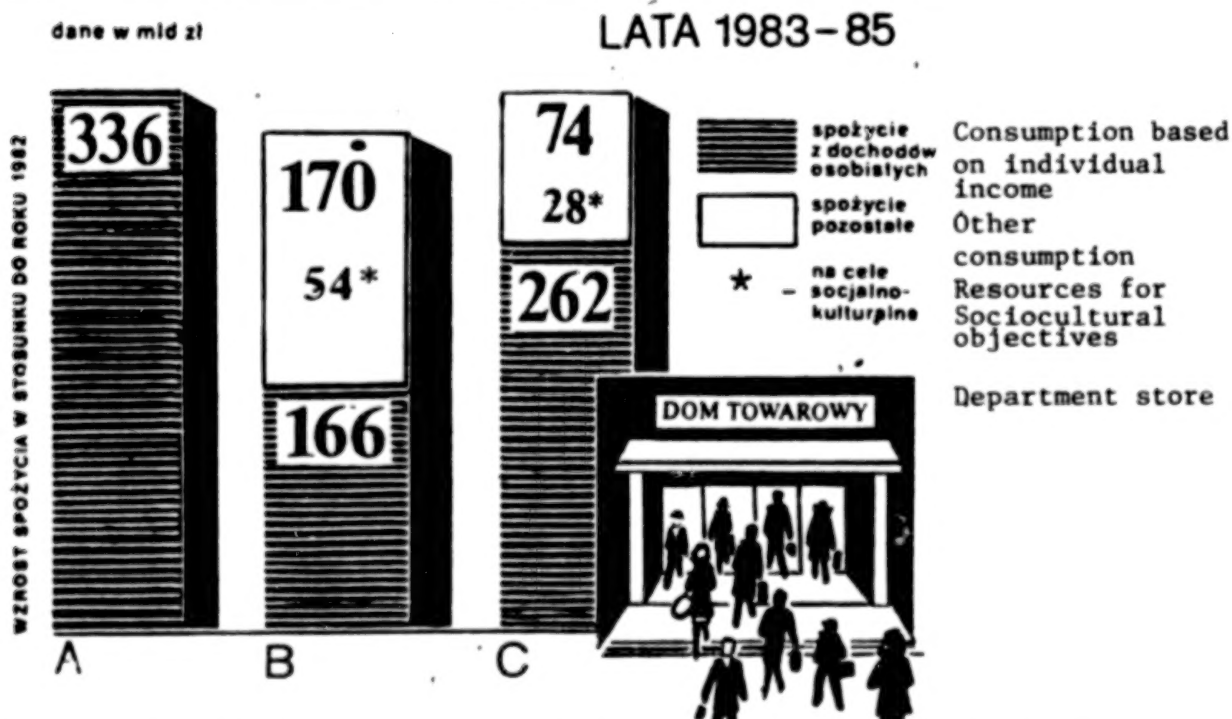


Figure: Increase in Consumption for the Period From 1983 to 1985 as Compared With 1982. Data in Billion Zlotys.

Column A presents the variant favoring individual consumption. According to the variant, the increase in resources for consumption (336 billion zlotys) would be earmarked in total for consumption based on individual incomes.

Column B shows advantages of adopting the variant that gives top priority to collective consumption. A total of 170 billion zlotys would be earmarked for collective consumption, according to the variant. Out of this sum, 54 billion zlotys would be used for sociocultural objectives. The rest of the 336 billion zlotys (i.e., 166 billion zlotys) would be used for individual consumption.

Column C represents so-called variant of equal increase in both collectives and individual consumption. According to the variant, it is projected that 262 billion zlotys would be used for consumption based on individual income, and 74 billion zlotys would be used for collective consumption (out of the last sum, 28 billion zlotys would be used to satisfy sociocultural objectives).

Which variant ought to be chosen? This is the question to which we have to give an answer. In the proposed plan the preference for the variant of equal increase in both collective and individual consumption is indicated for the period between 1983 and 1985 as well as for the period of 5 years following it. Will the proposed plan be accepted by all social groups?

There is, obviously, a desire to increase individual income. Should it be pursued, however, at any cost and at the expense of such objectives as health, education and culture?

We look forward to hearing from our readers regarding this matter.

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